

3. (OIL AND GAS APPLICATIONS, SECTION 6871.3, PUBLIC RESOURCES CODE - SANTA BARBARA COUNTY - W. O. 2241; VENTURA COUNTY - W. O. 2243.)

The Chairman called the attention of the Commission to Assembly Concurrent Resolution 33, which requests the State Lands Commission not to offer any tide and submerged lands for leasing for the production of oil or gas or to grant any oil and gas leases. He reported that the Commission has one bid pending in Ventura County, which bid was scheduled originally to be opened on January 18, 1957, but which opening, by order of the Commission, was postponed until January 30. He stated that other leases were in process for the area westerly of Coal Oil Point, comprising five parcels extending to Pt. Conception, and that these were scheduled to be opened on March 1, 1957. He asked the Executive Officer if, in the light of the Assembly Concurrent Resolution, he had any comments to make or any recommendations with respect to the bid openings.

In reply to the Chairman's query, the Executive Officer reported that the writ of mandate which had been filed by Phil Silver had been dismissed by the Supreme Court, and for further information he referred the Commission to the Calendar item before it (copy of which is attached), from which he read the following excerpts:

"Section 6811, Public Resources Code, provides that 'The commission may, prior to the receipt of any bid for a lease under this chapter, withdraw any offer to receive bids therefor, and it may reject all bids therefor filed pursuant to invitation of the commission. At any time before the award of a lease thereon, all or any portion of a tract proposed to be leased may be withdrawn by the commission and eliminated from the proposal.'" (At this point, the Executive Officer interjected the thought that on the basis of this section of the Public Resources Code he believed it was within the right of the Commission to reject all bids, including the bid received on January 18, 1957.)

"Section 1908 of the rules and regulations of the Commission provides, in part if '...in the opinion of the commission, the acceptance of the highest qualified bid is not for the best interests of the State, in which event the commission may reject all bids.'

"Conformance with the legislative request in Assembly Concurrent Resolution 33 would require the following actions by the Commission:

1. Withdrawal of all of the tract proposed to be leased under published Notice of Intention, W. O. 2243, 5,600 acres of tide and submerged lands, Point Mugu area, Ventura County, and return (unopened) of the one bid proffered therefor on January 18, 1957.
2. Withdrawal of the offers to receive bids for leases on five tracts of tide and submerged lands in Santa Barbara County in accordance with the published Notice of Intention, W. O. 2241."

Chief Deputy Attorney General William V. O'Connor was asked by the Chairman if he had any comments with respect to legality along the lines suggested by the Executive Officer, and in reply stated "No", that the Commission was completely within its power to withdraw the Ventura County parcel, and also that the Commission could withdraw the Santa Barbara County March 1 offer.

The Chairman then asked the Commission for its comments with respect to the proposed lease scheduled for bid opening on January 30, 1957, on the basis of the following two alternatives: (1) Should the bid be returned to the bidder unopened?, or (2) Should the bid be opened and considered in the light of its merits, and proper consideration be given to it?

Mr. Powers indicated that he believed the bid should be returned unopened, and Mr. Kirkwood agreed, stating that he could not see any purpose to be served in opening the bid.

Upon request by the Chairman for a statement from members of the Legislature who were present, Assemblyman Allen Miller informed the Commission that Assembly Concurrent Resolution 33 "stands for the whole of the Legislature", and Assemblyman Bruce Allen stated that the Legislature was on record that the whole matter should be held in abeyance.

Mr. O'Connor informed the Commission that the safest course for it to follow was to withdraw the parcel and return the bid unopened.

The Executive Officer stated that if it was the wish of the Commission to return the bid unopened, the staff could revise its suggestions on the calendar item accordingly.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

ALL OF THE TRACT PROPOSED TO BE LEASED UNDER WORK ORDER 2243 IS WITHDRAWN AND ELIMINATED FROM THE PROPOSAL, AND THE ONE BID RECEIVED, PURSUANT TO PUBLISHED NOTICE OF INTENTION TO RECEIVE BIDS FOR THE SUBJECT PARCEL, IS TO BE RETURNED TO THE BIDDER UNOPENED.

The Chairman then brought up the question of the proposed leasing of five tracts along the coast of upper Santa Barbara County, stating that the bids were scheduled to be opened on March 1, 1957, but that no bids had been received.

Mr. O'Connor advised the Commission that he believed the offer could be withdrawn in view of the fact that no bid had been received.

Mr. Kirkwood stated that in adopting the two motions suggested, he would hate to see an end put to exploration off coast, and asked whether the staff felt there was adequate inspection control of all submarine core drilling operations. Mr. Hortig replied that there was no basis for assurance that no holes were being drilled to depths greater than 500 feet without a permit.

Mr. Kirkwood remarked that he believed exploration work should be continued and that he hoped the Legislature, after reconvening in March, would take the particular bills in question under consideration, stating that, if necessary, urgency legislation could be adopted.

The Executive Officer pointed out that the word "freely" should be taken out of the provisions of the Cunningham-Shell bill relating to offshore explorations, whereupon Assemblyman Miller reported that he had introduced a bill to effectuate that change.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE OFFERS TO RECEIVE BIDS UNDER WORK ORDER 2241, AS AUTHORIZED IN MINUTE ITEM NO. 3, MINUTE PAGES 2869-71, OF THE MEETING OF THE STATE LANDS COMMISSION OF NOVEMBER 8, 1956, AND IN MINUTE ITEM NO. 1, MINUTE PAGES 2922-23, OF NOVEMBER 15, 1956, ARE WITHDRAWN.

In response to a query by the Chairman as to whether anyone desired to be heard, Mr. E. E. Pyles of the Monterey Oil Company asked if the action taken by the Commission had the effect of cancelling the parcels as though they never had been advertised. The Chairman responded, "Yes, it does."

Mr. Pyles then asked what the position of the Commission would be, with respect to the parcels, in March or later after the Legislature had taken action, and was informed by the Executive Officer that advertising could not be done in anticipation of what the Legislature was going to do; that once the Legislature had done something, whether a major or minor change, the staff would recommend appropriate action to the Commission.

There followed a discussion on whether proposed amendments to the Cunningham-Shell Act might qualify as an urgency measure, with Messrs. Miller, Shell, and O'Connor taking part.

Attachment:

Calendar item (1 page)

(OIL AND GAS APPLICATION, SECTION 6871.3, PUBLIC RESOURCES CODE - SANTA BARBARA COUNTY - W. O. 2241; VENTURA COUNTY - W. O. 2243.)

The Commission has been informed previously that on October 25, 1956 Mr. P. Silver filed a petition for writ of mandate to restrain the Commission from issuing any lease pursuant to Notice of Intention, W. O. 2243, and to compel the Commission to refrain from making any further classifications of tide and submerged lands under the same procedures utilized in the classification of the subject lease offer (Minute Item 28, page 2906). This petition was denied by the District Court of Appeals, Third Appellate District, on November 27, 1956. Thereupon Mr. Silver filed a petition for hearing in the Supreme Court (No. 3 Civ. 9185). This petition was denied by the Supreme Court on January 23, 1957. Pursuant to published Notice of Intention under W. O. 2243 to receive bids on 5,600 acres of tide and submerged lands, Point Mugu area, Ventura County, one bid was received on January 18, 1957. In accordance with a resolution of the Commission adopted January 17, 1957, the opening of the bid received was deferred to 11 a.m., January 30, 1957 in Room 302, State Building, Los Angeles, or until such later date as the Commission may determine.

In accordance with the authorization by the Commission, Notices of Intention to receive bids on five parcels of tide and submerged lands in Santa Barbara County have been published under W. O. 2241 (Minute Item 3, pages 2869-71 and Minute Item 1, pages 2922-23). Bids under these offers are to be received March 1, 1957.

Assembly Concurrent Resolution No. 33 adopted by the Senate January 24, 1957 and by the Assembly January 25, 1957 provides "that the Legislature hereby requests the State Lands Commission not to offer any tide and submerged lands for leasing for the production of oil and gas or to grant any oil and gas leases with respect to such lands until the Legislature has completed its considerations of the pending proposals to revise the law governing this subject . . ."

Section 6811, Public Resources Code, provides that "The commission may, prior to the receipt of any bid for a lease under this chapter, withdraw any offer to receive bids therefor, and it may reject all bids therefor filed pursuant to invitation of the commission. At any time before the award of a lease thereon, all or any portion of a tract proposed to be leased may be withdrawn by the commission and eliminated from the proposal."

Section 1908 of the rules and regulations of the Commission provides, in part, that if ". . . in the opinion of the commission, the acceptance of the highest qualified bid is not for the best interests of the State, in which event the commission may reject all bids."

Conformance with the legislative request in Assembly Concurrent Resolution 33 would require the following actions by the Commission:

1. Withdrawal of all of the tract proposed to be leased under published Notice of Intention, W. O. 2243, 5,600 acres of tide and submerged lands, Point Mugu area, Ventura County, and return of the one bid proffered therefor on January 18, 1957.
2. Withdrawal of the offers to receive bids for leases on five tracts of tide and submerged lands in Santa Barbara County in accordance with the published Notice of Intention, W. O. 2241.